NOVA SCOTIA
HOUSING DEVELOPMENT CORPORATION

ANNUAL ACCOUNTABILITY REPORT
FOR THE FISCAL YEAR 2006-2007

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1.0 ACCOUNTABILITY STATEMENT

The accountability report of the Nova Scotia Housing Development Corporation for the year ended March 31, 2007, is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the corporation's business plan information for the fiscal year 2006-2007. The reporting of the Housing Development Corporation outcomes necessarily includes estimates, judgements, and opinions by the corporation's management.

This accountability report is the responsibility of the corporation's management and is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the corporation's business plan for the year.

Judy Streatch
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

Judith F. Ferguson
President, Nova Scotia Housing Development Corporation
Deputy Minister, Department of Community Services

2.0 Message From the Chair

I am pleased to present the Nova Scotia Housing Development Corporation's Accountability Report for the 2006-2007 fiscal year. This report provides an overview of the corporation's priorities and the accomplishments.

The corporation, through the staff of the Department of Community Services and seven housing authorities, provides a variety of services to support healthy and diverse communities. The work of the corporation supports the management of the province's social housing units, the creation of more affordable housing, and the administration of third party agreements for cooperative and other non-profit housing.

The corporation continues to work with all levels of government and the community to provide Nova Scotian families with access to safe, appropriate, affordable and sustainable housing.

I hope you will find the information helpful in understanding the corporations's progress to provide affordable homes for Nova Scotians.

Sincerely,

Judy Streatch
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

3.0 INTRODUCTION

The Annual Accountability Report is a report on the progress achieved by the corporation towards the goals, priorities, performance measures and financial targets established in the 2006-2007 Business Plan, and is available at http://www.gov.ns.ca/coms/publications.html.

The Nova Scotia Housing Development Corporation provides financing for government's social and supported housing programs. It is responsible for holding the province's social housing assets and consolidating the revenues and expenditures associated with operating these assets.

Governed by the *Nova Scotia Housing Development Corporation Act*, the corporation's activities include:

- the acquisition and disposal of real estate
- negotiating agreements
- borrowing and investing funds
- lending money and guaranteeing payments
- mortgaging property

The Minister of Community Services is the corporation's Chairperson and the Deputy Minister is the President. The staff of the Department of Community Services carry out the management and administration functions of the corporation, but are not direct employees and receive no remuneration from the corporation.

The goals of the Housing Development Corporation are to:

- foster healthy communities through innovative housing solutions

- ensure access to a supply of safe, appropriate, affordable and sustainable housing

3.1 REPORT STRUCTURE

This report is organized into three main sections. The first section outlines the department's progress and accomplishments against the priorities identified in the 2006-2007 Business Plan. The next section provides a summary of the financial results for fiscal year and the final section provides details regarding performance measures and the results achieved.

4.0 PRIORITIES AND ACCOMPLISHMENTS

The work of the corporation is very closely aligned and integrated with the work of the Housing core business area of the Department of Community Services. Some of the accomplishments included in this report have also been included in the department's accountability report. The following is a summary of the progress and accomplishments of the Nova Scotia Housing Development Corporation in meeting its 2006-2007 Business Plan priorities.

IMPLEMENTATION OF AFFORDABLE HOUSING AGREEMENT - PHASE II

Funding under Phase II of the Affordable Housing Agreement began in 2006-2007. Under the Agreement, the Province has approximately $18.9 million to invest in affordable housing by 2010. In 2006-2007, the department took the following action to accelerate the commitment of these funds, providing low income Nova Scotians with access to more affordable homes.

- In November 2006, the department issued a request for proposals inviting not-for-profit organizations and private developers to submit proposals to create new affordable rental housing for individuals, families, seniors and persons with disabilities.

- The department accelerated the release of the Home Preservation Program funds. Under this program, approximately $1.6 million was committed in 2006-2007 to preserve thirty-five existing affordable housing units in need of major repair.

- The Affordable Student Housing Pilot Program was expanded to include fifteen additional rent supplement units. Funds are now available to help up to thirty low-income, lone parent students attending university full-time with the cost of their rent.

STRENGTHEN THE ADMINISTRATION OF MORTGAGE AND LOANS

In 2006-2007, the administration and management of the corporation's mortgage portfolio was consolidated under the Finance & Administration Division of the Department of Community Services as part of the corporation's efforts to provide better service to its clients. This change enables a more coordinated approach to mortgage management, facilitates the early identification of opportunities to reduce borrowing costs, and strengthens the relationship with the Department of Finance in the development/implementation of a strategy to achieve the best results for borrowers and the province.

An IT project has been launched to review the business requirements of a mortgages and loan IT system. As well, collaborative work is underway between the Department of Finance, Treasury and Policy Board, and the Department of Health as evidenced by the lending/mortgage work provided to the Department of Health in their nursing home initiative.

5.0 FINANCIAL RESULTS

Nova Scotia Housing Development Corporation
Estimated & Actual Expenditures
For the Year Ending March 31, 2007

Funding Source	Estimate 2006-2007 ($thousands)	Actual 2006-2007 ($thousands)	Variance	Notes
Revenue from Government Sources	115,100	100,652	(14,448)	1
Revenue from Rents	49,500	51,260	1,760	2
Interest, revenue from land sales and other revenue	3,000	3,976	976	3
Total Funding	167,600	155,888	(11,712)	
Expenditure Source				
Interest on Long Term Debt	31,000	27,855	(3,145)	4
Property Management and Operations	44,000	43,891	(109)	
Maintenance and Capital Improvements	27,500	30,575	3,075	5
Transfer to Housing Services*	28,100	17,749	(10,351)	6
Home Renovation and Affordable Housing	19,500	19,877	377	7
Amortization and Depreciation	14,500	11,742	(2,758)	8
Administration Fee and Cost of Land Sold and increase in provision or doubtful accounts	3,000	4,199	1,199	9
Total Expenditures	167,600	155,888	(11,712)	

*Under the terms of Canada Nova Scotia Social Housing Agreement, Canada Mortgage and Housing Corporation transfers Federal subsidies to the corporation monthly. A portion of this funding is then transferred to the Department of Community Services, Housing Services division for the payment of Social Housing Program subsidies.

Revenue Variances:

1. Reduction in Federal recoveries for Home repair programs expenditures.
2. Greater than expected occupancy level.
3. Mortgage portfolio increased earlier than expected resulting in increased revenue recognition.

Expenditure Variances:

4. The estimated increase in debt did not occur due changes in the timing of projected funding requirements for major projects.
5. Additional funding for regeneration and adaptation of social housing units through Housing Authorities under the Affordable Housing Trust.
6. Federal funding transfers under the social housing transfer agreement were less than anticipated due to adjustments to provincial cash flow for gross public housing and other expenditures.
7. The variance was due to the timing of projects approved but under construction at year end such that the recording of the release of funds for certain approved projects from 2005-06 happened in the first quarter.
8. Principal payouts not anticipated (Dept. of Justice in reference to Waterville Youth Centre fully repaid).
9. Increase in Administration fee paid to the Department of Community Services.

6.0 PERFORMANCE MEASURES

This section provides detailed information on the outcomes and performance measures of the Nova Scotia Housing Development Corporation.

PERFORMANCE MEASURE

Percentage of cooperative housing organizations who achieve a ranking of Level I or a High Level II based on an annual assessment of their financial, democratic, and physical condition.

WHAT DOES THE MEASURE TELL US?

The Cooperative Ranking Model assesses and monitors the health of the Cooperative Housing Portfolio. Cooperative housing organizations in Nova Scotia provide approximately 1,670 self-contained dwelling units. The Ranking Model provides an overview of the Cooperative Housing Portfolio and as an ongoing monitoring tool, assists the corporation in its management of cooperative housing. Cooperatives are ranked as a Level I , II or III; with Level I being the healthiest, and Level III being considered a project "in difficulty". This measure indicates how many cooperatives achieve a ranking of Level I or a High Level II based on an annual assessment of their financial, democratic and physical condition.

WHERE ARE WE NOW?

There are 79 subsidized cooperatives in the Cooperative Housing Portfolio. In 2006-2007, 62 percent of the cooperatives were deemed to be healthy and do not pose a risk. This is slightly lower than the previous year's result of 63 percent. However, there was some improvement as demonstrated in the accompanying table. The percentage of projects "in difficulty" has declined from 24 percent to 20 percent and, although, a target was not established for 2006-2007, the department is working to improve the overall health of the cooperative portfolio.

Cooperative Ranking	2005/06 Base Year	2006/07
Level I	35%	31%
High Level II	28%	31%
Low Level II	13%	18%
Level III	24%	20%

WHERE DO WE WANT TO BE IN THE FUTURE?

In 2007-2008, the department will be exploring early intervention practices such as an inspection process to identify and address issues before they effect the health of a cooperative. In the future,

the department is striving to increase the percentage of cooperatives that achieve a Level I or a High Level II (considered healthy). The target for 2007-2008 is for 68 percent of the cooperatives to be deemed healthy.

PERFORMANCE MEASURE

The number of qualifying housing projects receiving financing assistance and/or mortgage guarantees.

WHAT DOES THE MEASURE TELL US?

The corporation provides financing assistance to qualified agencies to purchase, lease or upgrade housing/shelter related facilities. This involves giving the agencies preferred interest rates for longer term periods than would be provided by private lenders. Agencies are protected from fluctuations in their on-going operating costs. This is particularly important to Community Services and the Department of Health, since publically subsidized per diem rates include financing costs.

This measure reports the number of qualifying projects the corporation assisted through mortgage guarantees and/or financing assistance. Qualifying projects generally must meet at least one of the following criteria:

- increase the supply of safe, affordable, appropriate and sustainable housing in Nova Scotia
- reduce the long-term interest rate risk to the Province of Nova Scotia
- have an acceptable level of risk to the corporation
- reduce the long term financing costs to the Province of Nova Scotia.

WHERE ARE WE NOW?

In 2006-2007, two nursing home projects were financed through the corporation. Due to the significant amount of funds associated with these projects, a total borrowing of approximately $9 million, only two projects were financed during the year. In comparison to 2005-2006, twelve housing projects were financed at a total borrowing of $12.87 million.

The Number of Qualifying Projects the Corporation Assisted Through Financing Assistance and/or Mortgage Guarantees					
2001-2002	**2002-2003**	**2003-2004**	**2004-2005**	**2005-2006**	**2006-2007**
1	6	9	6	12	2

WHERE DO WE WANT TO BE IN THE FUTURE?

The corporation aims to assist a minimum of three housing projects per year by continuing to foster and pursue partnering opportunities with Community Services and other departments, like the Department of Health, to support the prevision of residential services.

In 2006-2007, the administration and management of the corporation's mortgage portfolio was consolidated under the Finance and Administration Division of the Department of Community Services as part of the corporation's efforts to provide better service to its clients. This change will enable a more coordinated approach to mortgage management, facilitate the early identification of opportunities to reduce borrowing costs, and strengthen the relationship with the Department of Finance in the development/implementation of a strategy to achieve the best results for borrowers and the province.

PERFORMANCE MEASURE

Funding under Phase II of the Affordable Housing Agreement began in 2006-2007. Under the Agreement, the Province has approximately $18.9 million to invest in affordable housing by 2010.

WHAT DOES THE MEASURE TELL US?

Providing affordable housing options to low and moderate income Nova Scotians is essential for their well-being and that of their families, and for the development of sustainable communities. This measure indicates how much of the Canada-Nova Scotia Affordable Housing Program Agreement funds have been committed to creating or preserving affordable housing units in Nova Scotia.

WHERE ARE WE NOW?

In 2006-2007, the department committed $1.6 million of the Phase II Affordable Housing Agreement funds. With these funds 35 houses in need of major repair were assisted under the Home Preservation program.

In November 2006, the department issued a request for proposals inviting not-for-profit organizations and private developers to submit proposals to create new affordable rental housing for individuals, families, seniors and persons with disabilities. In 2007-2008, the department will commit the funds to the successful proponents for their new rental housing projects.

WHERE DO WE WANT TO BE IN THE FUTURE?

Forty percent ($7.56 million) of the Phase II funds will be committed by March 2008 and go towards the creation and preservation of 80 units. This will be accomplished through the November 2006 request for proposals and the release of a second request for proposals in 2007-2008 for new affordable rental housing.

Phase II funding, $18.9 million, will be fully committed by March 2009 and approximately 200 affordable housing units will be created or preserved through partnerships with community-based organizations, municipalities and the private sector.

PERFORMANCE MEASURE

Number of households assisted through funding made available under the Canada-Nova Scotia Housing Renovation Program Agreement.

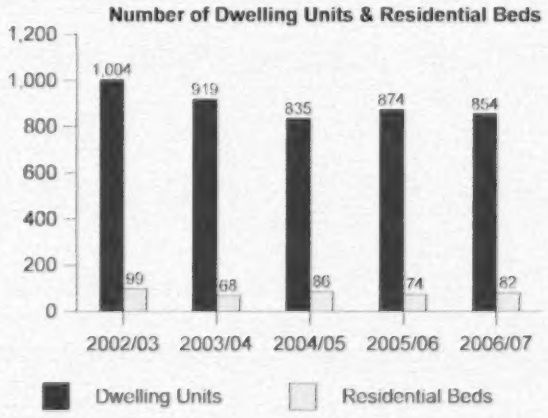
WHAT DOES THE MEASURE TELL US?

The corporation is contributing to the rehabilitation and adaptation of existing owner occupied homes and rental housing in Nova Scotia through the Canada-Nova Scotia Housing Renovation Program Agreement. Based on Canada Mortgage and Housing Corporation's (CMHC) revised 2001 Core Need Data[1], there were approximately 19,600 homeowner households in Nova Scotia whose homes were in need of major repairs and 7,100 of these households lacked the income to undertake the needed repairs. In addition, CMHC reported that approximately 5,400 renter households were living in housing in need of major repair and 5,100 of these households lacked the income to pay the rent for housing in better condition.

This measure reports on the number of dwelling units and residential beds the corporation assisted through funding made available under the Canada-Nova Scotia Housing Renovation Program Agreement during the year.

WHERE ARE WE NOW?

This data includes all the units and beds rehabilitated and/or adapted under the Canada-Nova Scotia Renovation Program Agreement which includes all the Residential Rehabilitation Assistance Programs (RRAP). While the annual program budgets have not increased, there has been a per unit increase in financial assistance from $12,000 to $16,000. This has enabled homeowners and non-profit organizations to undertake more extensive repairs. This means that fewer households can be helped as reflected in the decrease in the number of dwelling units and beds.



WHERE DO WE WANT TO BE IN THE FUTURE?

[1] 2001 Census Housing Series: Issue 3 Revised the Adequacy, Suitability, and Affordability of Canadian Housing, Research Highlights, Socio-Economic Series, 04-007

The target is to continue to maximize the benefits associated with housing repairs for those most in need, based on the program funds available in each fiscal year.

In November 2006, the federal government announced a one-year extension of federal funding for RRAP. As a result of this extension, Nova Scotia will receive $9 million from the federal government in 2006-2007 for the suite of Residential Rehabilitation Assistance Programs (RRAP).